



## **SHERWOOD BUDGET COMMITTEE MEETING**

### **March 31, 2014 MINUTES**

1. **CALL TO ORDER:** Vice Chair Tim Carkin called to order the March 31, 2014 Sherwood Budget Committee Meeting at 6:30 PM.
2. **COMMITTEE MEMBERS AND COUNCIL PRESENT:** Vice Chair Tim Carkin, Andy McConnell, Steve Munsterman, Kim Rocha-Pearson, Neil Shannon, Lynette Waller, Mayor Middleton, Councilor Krisanna Clark, Councilors Robyn Folsom, Matt Langer, Council President Linda Henderson and Councilor Bill Butterfield.

**COMMITTEE MEMBERS ABSENT:** Brian Stecher and Councilor Dave Grant

**CITY STAFF PRESENT:** City Manager Joe Gall, Finance Director Julie Blums, Assistant City Manager Tom Pessemier

3. **APPROVE JANUARY 27, 2014 CITY OF SHERWOOD BUDGET COMMITTEE MINUTES:** Steve Munsterman moved to approve, Matt Langer seconded and all approved. Council President Linda Henderson and Councilor Bill Butterfield arrived after the minutes were approved.
4. **NEW BUSINESS**

#### **A. Introduce New Committee Member Andy McConnell**

Julie Blums introduced Andy McConnell and gave a quick summary of his background. Andy McConnell was chosen out of eight candidates by Julie Blums and Mayor Middleton.

#### **B. Election of Officers – Vice Chair Carkin**

1. Chair:
  - a) Tim Carkin asks for nominations
  - b) Matt Langer nominates Neil Shannon; Neil Shannon declines the nomination
  - c) Bill Butterfield motions to appoint Tim Carkin; Matt Langer seconds and all approved
2. Vice Chair:
  - a) Matt Langer nominates Steve Munsterman; Steve declines the nomination
  - b) Neil Shannon nominates Lynette Waller; Krisanna Clark seconds and all approve

Council President Linda Henderson arrived after the election of officers was complete.

#### **C. FY13-14 YTD Budget to Actual Update (Exhibit A)**

Julie Blums gave an overview of the FY13-14 YTD Budget to Actual Report noting areas needing an appropriation transfer.

#### **D. Update on Appropriation Transfer Request**

Julie Blums reviewed items to be brought forward in an Appropriation Transfer Request. We do not need to do a full supplemental budget because we have appropriation authority in other categories in the same funds. We just need to transfer appropriations between categories:

1. Street Capital Fund: We budgeted for just a couple of small projects this year and it turns out we have done several large projects; TSP update and Adams Avenue North. What we need to do is a transfer between line items to cover the cost of those two projects.
2. Telecom Fund: The redundancy work that was budgeted in FY12-13 was not completed and rolled over into FY13-14 therefore we need to rollover money and put it in FY 13-14 budget to cover the rest of it. Additionally there was equipment that needed to be upgraded in order to support some new customers. The new customers will increase our revenue approximately \$100,000 annually.
3. General Fund: We have not gone over budget yet, but the projections look like we most likely will in a couple of areas.
  - a. Legal Costs: Special projects, different committees, charter review and other items that we had not anticipated when we put the budget together last year. Mayor Middleton asked what we have spent in legal costs so far this year. Julie stated that what we are projecting is about \$100,000 over what we budgeted for in administration.
  - b. Transfer to the General Construction Fund: We had budgeted to transfer \$50,000 for turf replacement, but at the end of FY13 we actually had \$70,000 in turf replacement funds to transfer. It has all been transferred to the general construction fund so that it is earmarked and not in the general fund anymore.
  - c. Computers: Last time we bought computers we did a 5 year lease, but this time we took a look at leasing vs buying. It was found that it was a better deal to buy them outright; we saved about \$7,200 in interest costs by doing that. In the budget we had only allocated enough for the first year leases, but instead we purchased them outright so next year we will not have a lease payment in the budget.
  - d. Camcorders for recording public meetings paid for by PEG fees that we use for public access
  - e. Building Department had a large increase in development activity; contracted services for plumbing inspections are much higher than anticipated (we don't have a plumbing inspector on staff) as well as work on private development projects.
  - f. PD Operations Review: This is an optional item that has been requested by Council. Council has the final decision on this item, but we have put money in the budget to start that this year; it can either come out or can be moved to next year.

Lynette Waller asks about the total costs. Julie does not have one because projections have been changing daily, but she will probably know by Friday when she puts the final budget documents together.

Kim Rocha-Pearson had a couple of questions: On General Construction we are only running about 34% of our budgeted expenses, is that because there are going to be bigger projects that are going to happen in the next month or two? Julie responds, there are some projects coming, we have the field lights and we had budgeted money for the majority of the turf replacement project in this FY and actually they got it done last FY so we will recognize a savings. Kim Rocha-Pearson has the same question regarding the Debt Service. Julie responds with that Debt Service will come out to zero; we just have not received our final bill which will come in June.

Neil Shannon clarifies most of these will be transfers within funds rather than expenditures, so these are moneys that are already allocated; we are just moving them from one allocation to another allocation.

- E. Review of Oregon Budget Law (Exhibit B)** – Julie Blums stated that when they went to the budget law training the state was very careful to say that they didn't change anything they just clarified some things this year, but the "clarifying" has changed a lot. Changes were made to how we handle contingency and ending fund balance.

Contingency: In the past anything left at the end of the year; the difference between revenue and expense was considered contingency and our goal has been to be at 20% of our revenue. Now they have clarified and said that contingency should not be everything left it should truly be contingency; you don't ever plan to spend every dollar you have it should be treated like contingency like you would on a project, you have a contingency amount and the difference will go into a new line item called "reserved for future years (RFY)." So it's the same money we're just splitting it two ways. The Reserved for Future Years can still be used if we need to throughout the year, it just requires a full supplemental; we cannot do an appropriation transfer if we need to use those funds, whereas with contingency you can.

1. Julie's recommendation is that we put 5% of our money into contingency and the remaining 15%+ into the Reserve for Future Years.
2. Robyn Folsom clarifies that our policy has been at 20% in the past but now we are at about 31%, so unless we choose to appropriate some of that 31% in this year's budget to specific projects we would likely have more than 31%.
3. Joe Gall clarifies that contingency can be done without supplemental to utilize those funds, but if we wanted to use the 15% or higher it would have to go through the full supplemental process.
4. There was discussion regarding needing to review our policy once we have come to a decision, but that the total of the two numbers should still be at 20%, we will just need to reallocate how much we want in contingency vs. RFY.
5. Neil Shannon states that 5% is roughly \$500,000, so each percent is about \$100,000 and so currently we have got about \$3 million, so even if we were to hold for reserve the full 20% you're still talking a contingency fund of over a million dollars. So he feels that we should stay with the reserve at 20% and use the extra.
6. Julie clarifies that she is proposing that we have \$500,000 for contingency and \$2.5 million for reserve funds
7. Neil Shannon agrees with Julie
8. Julie states we can work on this policy in the upcoming year, but we do not have the time change it before this budget year.
9. Discussion regarding which fund is easier to get at. Tim Carkin considers the contingency fund a "rainy day fund", which is the easier of the two to use and should be set at a fixed percentage and no more and stock the excess away for longer term in the RFY. Assuming that the excess does not grow to excessive proportions, he feels that this will keep everything fiscally responsible and prevents the excess in one year.
10. Bill Butterfield asks what we are going to do with the excess if we have it at the end of the year. Julie responds that it will go into RFY.
11. Linda Henderson clarifies that Julie's recommendation for RFY is a function of the general fund budget, so if the general fund drops, the RFY will also.
12. Discussion regarding the motivation of the state for making this requirement and under what circumstances you may need in order to use RFY (any) vs. Unappropriated Ending Fund Balance (natural disaster). RFY is "in the middle"
13. Julie states she wants to work on setting goals for the funds, but the operational funds are a little different in how they function; in the capital funds there is no contingency it is all RFY because you should know what you are going to spend. We need to *really* make sure we hit our target this year. Capital is difficult because we plan to complete

projects by certain dates, but sometimes things roll over and this is going to tie our hands a little bit with that and make it more difficult if we do have projects that roll over, but it's not insurmountable by any means.

14. Discussion regarding the need to make sure we have enough in reserves for our future needs and making sure that we are maintaining our assets that we currently have.

Julie wants to remind members to not talk about budget with anyone outside of this room; all budget conversations by the Committee members are required to happen in a public forum. If you have any questions please email Julie and she will respond to everyone in the group with the answer.

#### **F. Review of Budget Schedule (Exhibit C) – Julie Blums**

1. Budget going to printers on April 25<sup>th</sup>
2. Budget distributed to members on May 2<sup>nd</sup>
3. First budget meeting May 14<sup>th</sup> from 6-9pm
4. Second meeting May 17<sup>th</sup> 9am-12pm
5. If needed, Third May 21<sup>st</sup> 6-When we end
6. Hand out of Bill Butterfields's request for a list of what kinds of things go into each of the budget categories

Joe Gall recognizes Julie with her new Oregon Municipal Finance Officers certification from OMFOA. Julie did this by choice and it is not something that all finance directors receive; she has been great about getting continuing education.

With no other committee member comments, the meeting was adjourned.

#### **5. ADJOURN** Meeting adjourned at 7:05 PM

Submitted by: Julie Blums, Finance Director      Minutes approved on: May 14, 2014